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7 Proposed Attorneys for Chapter 11 Debtor and  
Debtor in Possession

8  
9 **UNITED STATES BANKRUPTCY COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**  
11 **SANTA ANA DIVISION**

12 In re

13 Mash Studios, Inc.,  
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Case No. 8:24-bk-11048-TA

Chapter 11

**NOTICE OF EMERGENCY MOTION AND  
EMERGENCY MOTION OF DEBTOR FOR  
AN ORDER (1) AUTHORIZING, BUT NOT  
REQUIRING, DEBTOR TO PAY  
PREPETITION (A) WAGES, SALARIES,  
AND OTHER COMPENSATION,  
(B) EMPLOYEE MEDICAL, WORKERS'  
COMPENSATION, PAID TIME OFF, AND  
SIMILAR BENEFITS, AND (C)  
REIMBURSABLE EMPLOYEE  
EXPENSES; AND (2) AUTHORIZING AND  
DIRECTING APPLICABLE BANKS AND  
OTHER FINANCIAL INSTITUTIONS TO  
RECEIVE, PROCESS, HONOR, AND PAY  
CHECKS PRESENTED FOR PAYMENT  
AND TO HONOR FUND TRANSFER  
REQUESTS; MEMORANDUM OF POINTS  
AND AUTHORITIES IN SUPPORT  
THEREOF**

*Declaration of Lisa Boardman Filed  
Concurrently Herewith*

**Hearing:**

Date: April 26, 2024

Time: 11:30 a.m.

Place: Courtroom 5B - Via Zoom.gov only  
411 West Fourth Street  
Santa Ana, CA 92701

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1 **TO THE HONORABLE THEODOR C. ALBERT, CHIEF UNITED STATES**  
2 **BANKRUPTCY JUDGE, SECURED LENDERS, CREDITORS HOLDING THE TWENTY**  
3 **LARGEST UNSECURED CLAIMS, AND THE OFFICE OF THE UNITED STATES**  
4 **TRUSTEE:**

5 **PLEASE TAKE NOTICE** that a hearing will be held on April 26, 2024 at 11:30 a.m. via  
6 Zoom.gov only before the Honorable Theodor C. Albert, Chief United States Bankruptcy Judge for  
7 the Central District of California, for the Court to consider the motion (the “Motion”) filed by Mash  
8 Studios, Inc., a California corporation and the chapter 11 debtor and debtor in possession herein (the  
9 “Debtor” or “Studios”), for entry of an order pursuant to sections 105(a), 363(b), 507(a), 1107(a),  
10 and 1108 of Title 11 of the United States Code (“Bankruptcy Code”), (1) authorizing, but not  
11 directing, the Debtor to pay or honor in its discretion certain Employee Obligations (defined in the  
12 annexed Memorandum of Points and Authorities) and (2) authorizing and directing the applicable  
13 banks and other financial institutions to receive, process, honor, and pay all checks presented for  
14 payment and to honor all electronic payment requests made by the Debtor relating to the foregoing.

15 Studios was formed in 2002 and designs custom office furniture for large corporations. The  
16 Debtor’s affiliate, MASHindustries, Inc.<sup>1</sup> was formed in 2013 and specializes in commercial  
17 furniture manufacturing and architectural millwork (“Industries” and collectively, with the Debtor,  
18 the “Debtors”).

19 Industries employs 34 employees (“Employees”) at its manufacturing facility located in  
20 Buena Park, California and Studios employs 7 employees who primarily work from home (and  
21 occasionally work out of the Buena Park facility). The Debtor’s Employees are all paid twice a  
22 month (on or about the 1<sup>st</sup> and 15<sup>th</sup> day of the month) in arrears for the preceding period, as shown in  
23 the “Payroll Summary” spreadsheet attached hereto as **Exhibit 1** and as **Exhibit 1** to the Declaration  
24 of Lisa L. Boardman (the “Boardman Declaration”) filed concurrently herewith. The Debtor  
25 commenced its bankruptcy case on April 24, 2024, and therefore seeks Court approval to pay its  
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27 <sup>1</sup> Industries filed its own chapter 11 case, Bankr. Case No. 8:24-bk-11046-TA, along with the  
28 Debtor’s chapter 11 filing. The Debtor and Industries have concurrently filed a motion for entry of  
an order jointly administering the two cases.

1 employees for the portion of their upcoming paycheck that arises out of the pre-petition time period  
2 of April 16, 2024 through and including the petition date of April 24, 2024. The Debtor also seeks to  
3 continue to honor its pre-petition paid time off and other related accruals.

4 The Debtor's employees are vital to the continued operation of the Debtor's business and its  
5 successful reorganization. Payment of and otherwise honoring the Employee Obligations is  
6 necessary to continue the Debtor's business operations, and prevent the Debtor's employees from  
7 experiencing extreme personal hardship or seeking employment elsewhere. Moreover, these claims  
8 are entitled to priority pursuant to sections 507(a)(4) and (a)(8) of the Bankruptcy Code and must be  
9 paid ahead of general unsecured claims; thus, Debtor's payment of the Employee Obligations in the  
10 ordinary course of business will not prejudice general unsecured creditors or materially affect the  
11 Debtor's bankruptcy estate.

12 **PLEASE TAKE FURTHER NOTICE** that if you wish to object to the relief sought by the  
13 Motion, you must appear at the hearing and file any responsive pleading in accordance with the  
14 deadline set forth in the Notice of Emergency Motions. Your failure to timely object may be  
15 deemed by the Court to constitute consent to the relief requested herein.

16 **PLEASE TAKE FURTHER NOTICE** that the Motion is based on this Motion and  
17 attached Memorandum of Points and Authorities, the concurrently filed Boardman Declaration and  
18 evidence appended thereto, the arguments of counsel and other admissible evidence properly  
19 brought before the Court at or before the hearing on this Motion.

20 **WHEREFORE**, the Debtor respectfully requests that this Court enter an order granting the  
21 Motion in its entirety and:

22 1. Authorizing, but not directing, Debtor to pay or honor in its discretion certain  
23 Employee Obligations more specifically described in the Motion,

24 2. Authorizing and directing the applicable banks and other financial institutions to  
25 receive, process, honor, and pay all checks presented for payment and to honor all electronic  
26 payment requests made by the Debtor relating to the foregoing, and  
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1                   3.       Granting such other and further relief as the Court deems just and proper under the  
2 circumstances.  
3

4 DATED: April 25, 2024

BG LAW LLP

5  
6 By: /s/ David M. Poitras

David M. Poitras

Susan K. Seflin

Jessica S. Wellington

Proposed Attorneys for Chapter 11

Debtor and Debtor in Possession  
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**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. FACTUAL BACKGROUND**

**A. General Case Background**

1. On April 24, 2024, Mash Studios, Inc., a California corporation (“Studios” or the “Debtor”), filed a voluntary petition for relief under subchapter v of chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). The Debtor continues to operate its business and manage its affairs as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or committee has been appointed in the Debtor’s chapter 11 case.

2. Concurrently with the filing of the Debtor’s bankruptcy petition, the Debtor’s affiliate MASHindustries, Inc. (“Industries” and collectively, with the Debtor, the “Debtors”) filed its own subchapter v chapter 11 bankruptcy proceeding, styled *In re MASHindustries, Inc.*, Bankr. Case No. 8:24-bk-11046-TA. Concurrently with the filing of this Motion, the Debtors have filed a motion for joint administration of their bankruptcy cases.

**B. Description of the Debtors’ Businesses**

3. Studios, a California corporation, was formed in 2002 by Bernard Brucha and Mr. Brucha is the sole shareholder of Studios. Studios designs custom office furniture for large corporations such as Nike, Chanel and Google. In 2013, one of Studios suppliers went out of business and Mr. Brucha formed the Debtor to acquire those assets to begin a furniture and millwork manufacturing business. Mr. Brucha is the sole shareholder of Industries.

4. Industries manufacturing operations are located in 7150 Village Drive, Buena Park, California (the “Buena Park Property”). The Debtor employs approximately 7 people and Studios has 34 employees. Industries’ website is [www.mashindustries.com](http://www.mashindustries.com) and Studios’ website is [www.mashstudios.com](http://www.mashstudios.com).

5. For the fiscal year 2023, Industries gross revenue was \$5,001,733 and the Debtor’s gross revenue was \$9,066,031. Prior to Covid in 2020, the Debtors’ combined business were historically profitable. Along with the commercial office market in general, the Debtors’ businesses were hit extremely hard by the Covid pandemic, with new orders greatly reduced for 2020 through 2023. The Debtors’ businesses have begun turning the corner in 2024 and the Debtors reduced their

1 overhead greatly by laying off approximately 30 employees, and closing Studios' headquarters and  
2 showrooms. Industries has approximately \$12 million in new orders on the books, and the Debtor  
3 has approximately \$6 million in new orders on the book. The Debtors are projecting a return to  
4 profitability in April or May 2024.

5 **C. The Debtors' Management Structure**

6 6. Both of the Debtors are California corporations. Bernard Brucha is the founder, Chief  
7 Executive Officer, and principal of both Debtors, and he is the sole shareholder of both Debtors.

8 7. Lisa Boardman is the Chief Operating Officer and Chief Financial Officer for the  
9 Debtor. Ms. Boardman has extensive knowledge regarding the Debtor's day-to-day operations and  
10 finances and is responsible for, among other things, maintaining the Debtors Employee Obligations  
11 (defined below).

12 **D. Circumstances Impacting the Debtor's Operations and Reason for the**  
13 **Bankruptcy Filing**

14 8. Although Industries occupies the Buena Park Property, Studios is the tenant on the  
15 lease. In 2023, Industries began having problems timely paying the rent of \$86,000 a month on the  
16 Buena Park Property and as of the petition date, the Debtors are seven months behind on rent though  
17 they have paid March and April 2024 rent.<sup>2</sup>

18 9. On January 10, 2024, Buchanan Street Partners (BSP"), the landlord for the Buena  
19 Park Property, served Studios with a three day notice to pay rent or quit. While the Debtors  
20 responded to the three-date notice with a payment plan proposal, the Debtors were not able to make  
21 the full payment. Thereafter, on February 16, 2024, BSP filed an unlawful detainer action and  
22 obtained a writ of possession for the Buena Park Property. On Friday, April 19, 2024, Studios was  
23 served with a *Notice to Vacate* the Buena Park Property on or before April 25, 2024 at 6:01 a.m.  
24 Industries manufacturing facility (the "Facility") located at the Buena Park Property is an 77,000 sq.  
25 ft. manufacturing facility, houses valuable equipment, and is vital to the Debtor's ongoing operations  
26 and return to profitability. Industries' thirty-four Employees work out of the Facility and being  
27

28 <sup>2</sup> The landlord holds a security deposit in the amount of \$268,275.53, which it apparently has not  
applied to the outstanding balance.



1 locked out of the Facility by the Sheriff will decimate Industries' business and operations. Industries  
2 intends to relocate its manufacturing operations to a smaller facility, within 120 days of the Petition  
3 Date, and proposes to pay BSP postpetition rent at the contract rate from the petition date through  
4 the date that it vacates the premises.

5 10. Combined, the Debtors have outstanding debt of approximately \$7 million [\$2.5  
6 million in secured debt (SBA loans during Covid) and approximately \$4.5 million in unsecured trade  
7 debt (including the BSP debt)]. The Debtors intend to file a chapter 11 reorganizing plan to resolve  
8 these debts in their chapter 11 cases.

9 11. Without the chapter 11 cases, all manufacturing would cease indefinitely due to the  
10 BSP writ of possession, and Industries would be forced to liquidate. Through their chapter 11 cases,  
11 the Debtors can remain as a going concern and keep 41 employees employed, and project significant  
12 recoveries to their creditor constituencies through the chapter 11 plan process.

13 **E. The Debtors' Workforce**

14 12. Presently, the Debtors collectively employ 41 employees, with Industries employing  
15 34 employees and Studios employing 7 employees (the "Employees"). All of Industries' and  
16 Studios' employees are located in the United States. The Employees are all paid twice per month  
17 (on or about the 5th and 20<sup>th</sup> day of the month) in arrears for the prior period, as shown in the  
18 spreadsheet entitled "Payroll Summary," attached hereto as **Exhibit 1** and attached as Exhibit to the  
19 Declaration of Lisa L. Boardman (the "Boardman Declaration") filed concurrently herewith.

20 13. The following Employees are insiders of the Debtor: Bernard Brucha and Lisa  
21 Boardman (the "Insider Employees"). By this Motion, the Debtor seeks authority to pay all  
22 obligations pertaining to Employees other than the Insider Employees. With respect to the Insider  
23 Employees, no payments will be made until the expiration of the notice period with regard to the  
24 Notices of Insider Compensation to be served for each of them.

25 14. As indicated above and discussed in more detail herein, the Debtor seeks authority to  
26 pay and honor certain prepetition claims for, among other items, wages, salaries, and other  
27 compensation including federal and state withholding taxes, payroll taxes, contributions to employee  
28 benefit plans, retirement plans, accrued paid time off, and all other employment related benefits,

1 which the Debtor pays or provides in the ordinary course of its business (collectively, “Employee  
2 Obligations”).

3 15. In addition, the Debtor requests authority to pay the appropriate third parties the  
4 amounts that are deducted and withheld from Employees’ paychecks (“Employee Deductions”),  
5 which are in most instances not property of the Debtor’s estate, and to reimburse Employees for  
6 reimbursable expenses incurred by such employees prepetition in the ordinary course of business  
7 (“Employee Expenses”). By this Motion, the Debtor also seeks the general authority, in its  
8 discretion, to pay or honor the Employee Obligations, including the Employee Deductions and  
9 Employee Expenses with respect to all of its Employees, inclusive of the Insider Employees.

10 16. Additionally, the Debtor seeks authority for and direction to applicable banks and  
11 other financial institutions with whom the Debtor does business, in accordance with the Debtor’s  
12 instructions as may be provided by the Debtor, to receive, process, honor, and pay all checks  
13 presented for payment and to honor all electronic payment requests made by the Debtor which are or  
14 relate to the Employee Obligations.

15 **F. Prepetition Wages**

16 17. As discussed above, the Debtor employs 7 employees (some salaried, some hourly  
17 and one 1099). The Debtor pays its salaried employees weekly (on Fridays), in arrears. Typically,  
18 a few days prior to each payroll date, funds are pulled by Paychex, the Debtor’s payroll processor, to  
19 cover the payroll for the applicable periods.

20 18. Also, in the ordinary course of its business, the Debtor deducts from its employees’  
21 paychecks (as applicable): (a) payroll taxes and the employees’ portion of FICA and unemployment  
22 taxes, (b) employee contributions for health and disability related benefits, (c) employee  
23 contributions to 401(k) plans, and (e) other miscellaneous items (collectively, “Employee  
24 Deductions”). The Debtor forwards amounts equal to the Employee Deductions from its operating  
25 accounts to appropriate third-party recipients.

26 19. Under ordinary conditions, the Debtor’s next payroll for employees is scheduled for  
27 Friday, May 3, 2024, and relates to the payroll period of April 16, 2024 through April 30. This  
28 payroll includes amounts for the prepetition period of April 16, 2024 through and including April 24,

2024 (the “Prepetition Period”).

20. The payroll amount associated with the Prepetition Period is expected to be in the aggregate amount of \$16,981.83 (the “Prepetition Wages”). Attached hereto as **Exhibit 1** is a true and correct spreadsheet reflecting payroll for the Prepetition Period.

21. As of the Petition Date, no Employee has a claim of more than \$15,150 in Prepetition Wages on an individual basis.

22. The Debtor seeks authority to continue with its payroll schedule in the ordinary course of its business and consequently to pay all Prepetition Wages as planned on the dates indicated above. In all instances, due to the fact that no single Employee has a claim of more than \$15,150 in Prepetition Wages, the Debtor will not make payroll distributions to any particular Employee in an amount that would exceed the allowable priority portion of such Employee’s Prepetition Wages under section 507(a)(4) of the Bankruptcy Code. The Debtor asserts that the costs associated with paying priority Employee wage claims are relatively minimal compared with the damage to the Debtor’s estate that would ensue if Employee morale were disrupted by the Debtor’s failure to meet its payroll obligations.

23. In addition to the payment of Prepetition Wages, the Debtor is also seeking to be authorized, but not required, to pay all payroll taxes related to the Prepetition Wages, which the Debtor estimates to be approximately \$1,091.51. The foregoing payroll taxes are entitled to priority under section 507(a)(8). *See* 11 U.S.C. §§ 507(a)(8)(C).

**G. Employee Benefits**

24. The Debtor has established a variety of benefit plans and programs (“Employee Benefits”) designed to assist its Employees and the Employees’ eligible dependents in meeting certain financial burdens, including those that arise from illness, disability, and death. The Employees receive Employee Benefits pursuant to the terms and policies established by the Debtor. The Debtor seeks authorization, but not direction, to pay or otherwise honor these Employee Benefits, which are described below.

25. Medical, Dental, Vision Insurance, Long-Term Disability, Basic Term Life Insurance.  
The Debtor offers all full-time Employees basic medical, dental, and vision insurance, as well as

1 long-term disability and basic term life insurance. The Debtor's medical insurance is provided by  
2 United Healthcare and Kaiser. All other insurance is provided by Guardian. A portion of the cost  
3 for each Employee's insurance is deducted from his or her regular paycheck, and the Debtor  
4 contributes a portion as well. To maintain employee morale and not unfairly impose hardships on its  
5 workforce, the Debtor seeks authority to pay any outstanding unpaid premiums, deductibles, and/or  
6 claims with respect to medical, dental, and vision insurance accrued prepetition, and to continue to  
7 honor its prepetition policies relating to such insurance. The Debtor believes it is current under these  
8 obligations and that there are no arrears with respect to Employees' insurance. The Debtor pays  
9 approximately \$7,500 a month in premiums to Kaiser, United Healthcare and Guardian.

10 26. Worker's Compensation Premiums. Additionally, the Debtor is obligated to pay  
11 worker's compensation insurance premiums for its Employees. Industries owes approximately  
12 \$16,000 on April 30, 2024 as the down payment on its worker's compensation insurance policy<sup>3</sup> and  
13 Studios must pay \$5,700 on or before April 30, 2024 for its annual worker's compensation premium.  
14 The Debtor seeks authority to pay this obligation in the ordinary course of its business as part of its  
15 Employee Obligations.

16 27. Retirement Benefits Plan. The Debtor offers eligible Employees the opportunity to  
17 participate in a 401(k) Savings and Retirement Plan ("401(k) Plan"). If an Employee contributes the  
18 full allowable contribution, the Debtor matches the Employee's contribution up to 3%. The balance  
19 of the Employees' contributions are paid by the Employees. In addition to the amount paid by the  
20 Debtor, the Debtor, through Paychex, forwards amounts equal to the Employee's chosen  
21 contributions from its operating accounts to appropriate third-party recipients on behalf of its  
22 Employees, and thus seeks authority to continue the 401(k) Plan and forward any prepetition  
23 amounts as necessary. The Debtor's estimated contribution for the 401(k) Plan is approximately  
24 \$380.00 for the pre-petition period, in addition to the amount set forth below. Additionally, the  
25 Debtor owes approximately \$16,000 to the 401(k) plan because a prior paycheck processor was  
26

27  
28 <sup>3</sup> The \$16,000 and \$5,700 payments need to be made on or before April 30, 2024 to avoid  
cancellation of the policies on May 1, 2024. These expenses are also included in the cash collateral  
budget.

1 delinquent in preparing the necessary reporting. Debtor will supplement this Motion to add the  
2 detail on repayment of these amounts in connection with a further hearing on the Motion

3 **H. Reimbursable Expenses**

4 28. Employees may submit certain business-related expenses to the Debtor for  
5 reimbursement. These expenses include, among other things, car rental, meals, business supplies,  
6 and other business-related costs, including those charged by Employees onto corporate credit cards.  
7 As of the Petition Date, the Debtor believes that it has paid substantially all reimbursements to  
8 employees except for \$350.00 (as set forth on **Exhibit 1**). In the event that the Debtor owes any  
9 other *de minimis* amount of reimbursements to any non-insider employee, the Debtor seeks  
10 authority, but not direction, to pay these Employee Expenses and to continue to pay them  
11 postpetition in the ordinary course of business.

12 **I. Paid Time Off**

13 29. By the Motion, the Debtor is also seeking authority, but not direction, to permit  
14 Employees to use earned, accrued prepetition vacation time, personal time, sick, bereavement and  
15 other leave in the ordinary course (the “Paid Time Off”). The Debtor anticipates that the Paid Time  
16 Off will continue to accrue post-petition, and requests authority to allow it to be used without  
17 restrictions other than those imposed by the Debtor’s normal human resources policies. See **Exhibit**  
18 **2** hereto.

19 **J. Summary of Employee Obligations.**

20 30. In summary, the Debtor seeks authority, in its sole discretion, to honor and pay all  
21 “Employee Obligations,” more specifically described as follows:

- 22 a. Honor and pay, when due, all Prepetition Wages;
- 23 b. Pay the Debtor’s share of applicable employment taxes in connection with the  
24 Prepetition Wages;
- 25 c. Make all appropriate Employee Deductions and to forward the Employee  
26 Deductions to the appropriate agency or plan administrator, including those related to the 401(k)  
27 Plan;
- 28 d. Honor and pay, when due, all Employee Expenses;

e. Honor all Paid Time Off in the ordinary course of business; and

f. Continue providing active employees with the Employee Benefits and to pay, or otherwise honor, earned prepetition Employee Benefits.

## II. ARGUMENT

31. Due to the timing of the commencement of this case, certain Employees accrued prepetition salaries and wages for which payment would otherwise be made postpetition. Other forms of compensation related to prepetition services, more fully described above, have not yet been paid to or for the benefit of the Employees because such benefits, although accrued either in whole or in part prior to the Petition Date, were not payable at such time, but rather will become payable in the immediate future in the ordinary course of business.

32. The Debtor submits that the Court has authority to authorize the relief requested herein in light of the prejudice that will result to the Debtor if it is not permitted to honor and pay the Employee Obligations. Furthermore, no prejudice will result to the Debtor's bankruptcy estate because the Employee Obligations are priority claims under Bankruptcy Code section 507(a)(4), which are paid prior to payments to general unsecured creditors.

### A. The Court Has Authority to Authorize Payment of Employee Obligations.

33. Pursuant to section 105(a) of the Bankruptcy Code, the Court may "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Where business exigencies require, courts have exercised their equitable powers under section 105(a) to authorize debtors to pay prepetition claims of particular creditors essential to continued operations, including those of employee claims for prepetition wages. *See In re Ionosphere Clubs, Inc.*, 98 B.R. 174 (Bankr. S.D.N.Y. 1989). This "necessity of payment doctrine," which empowers courts to authorize a debtor to pay prepetition claims, is critical to any non-liquidating chapter 11 case, because it permits "immediate payment of claims of creditors where those creditors will not supply services or materials essential to the conduct of the business until their pre-reorganization claims have been paid." *Id.* at 176 (quoting *In re Lehigh & New England Railway Co.*, 657 F.2d 570, 581 (3d Cir. 1981)). Indeed, continued operation and rehabilitation of the debtor is a paramount goal in chapter 11 bankruptcies. *See In re Ionosphere Clubs, Inc.*, 98 B.R.

1 at 176. *See also In re Chateaugay Corp.*, 116 B.R. 887, 989 (Bankr. S.D.N.Y. 1990) (“[E]mployee  
2 good will and contentment is an asset which is vital to the continuation of a debtor’s business  
3 operation and its ability to effectively reorganize during the Chapter 11 process.”); *In re Gulf Air,*  
4 *Inc.*, 112 B.R. 152, 153 (Bankr. W.D. La. 1989) (payment of employee prepetition wages is  
5 permissible in light of the fact that “retention of skills, organization, and reputation for performance  
6 must be considered valuable assets contributing to going concern value and aiding rehabilitation  
7 where that is possible”).

8 34. Furthermore, Bankruptcy Courts in the Central District of California authorize a  
9 debtor’s payment of prepetition wages and obligations where such request is supported by evidence  
10 that establishes the following:

- 11 (A) The employees are still employed;
- 12 (B) The necessity for payment;
- 13 (C) The benefit of the procedures;
- 14 (D) The prospect of reorganization;
- 15 (E) Whether the employees are insiders;
- 16 (F) Whether the employees’ claims are within the limits  
established by section 507 of the Bankruptcy Code; and
- 17 (G) The payment will not render the estate administratively  
18 insolvent.

19 *See* Local Bankruptcy Rule 2081-1(a)(6). The Debtor respectfully submits that the relief requested  
20 herein is appropriate and necessary in light of the foregoing.

21 35. As noted above, the Debtor’s goal in this chapter 11 case is to reorganize its affairs  
22 and continue operating as a successful office design and manufacturing company. It is imperative to  
23 the accomplishment of Debtor’s goals in this case that the Debtor’s employees make a smooth  
24 transition into the chapter 11 process. Any disruption to payment of Employee Obligations will  
25 prove destructive to the Debtor’s goals herein because it will hurt employee morale at a particularly  
26 sensitive time for all employees, especially considering the small number of Employees employed  
27 by the Debtor. Indeed, each Employee is crucial to the continuation of Debtor’s business operations.  
28 Due to the timing of the filing of this case, certain Employee Obligations may have accrued, but

1 were unpaid prior to the Petition Date. If the Debtor is not permitted to meet all payroll-related  
2 obligations in the ordinary course of business, the Debtor could suffer unmanageable employee  
3 outrage or turnover to the detriment of all parties to the Debtor's bankruptcy estate. Any significant  
4 disruption will adversely impact the Debtor's business and result in immediate and irreparable harm  
5 to the estate. Simply put, Debtor's Employees are essential to the Debtor being able to continue its  
6 business operations and thus successfully reorganize, and thus approval for payment of ongoing  
7 Employee Obligations is critical to the Debtor's success in this case.

8 36. The Debtor submits that the amounts to be paid pursuant to the Employee Obligations  
9 are relatively small in light of the importance and necessity of preserving the Employees' services  
10 and morale, and the difficulties and losses the Debtor will suffer if Employees leave. Even the  
11 slightest delay in providing this relief to its Employees will hamper operations and damage the  
12 Debtor's estate. These payments will not render this estate administratively insolvent. Moreover, as  
13 set forth herein, and the Debtor's companion First-Day Motions, the Debtor's prospects for a  
14 successful reorganization are strong.

15 37. Additionally, the Debtor proposes to make immediate payment of Employee  
16 Obligations for non-insider employees only, all of whom are currently employed by the Debtor. The  
17 Debtor will not make payments to Insider Employees until after the notice period has passed  
18 regarding the Notices of Insider Compensation filed concurrently herewith.

19 **B. The Estate Will Suffer No Prejudice As a Result of the Motion Because the**  
20 **Prepetition Wages, Employee Benefits, and Employee Expenses are Priority**  
21 **Claims Under Bankruptcy Code Section 507(a)(4).**

22 38. Furthermore, the bankruptcy estate—specifically the general unsecured creditors of this  
23 case—will suffer no prejudice if the relief requested herein is granted because the Prepetition  
24 Wages, Employee Benefits, and Employee Expenses are entitled to a priority under section 507(a)(4)  
25 of the Bankruptcy Code. Indeed, each Employee is entitled to a priority claim for:

26 [A]llowed unsecured claims, but only to the extent of  
27 \$15,150 . . . earned within 180 days before the date of the filing of  
28 the petition or the date of the cessation of the debtor's business,  
whichever occurs first, for—

(A) wages, salaries, or commissions, including vacation,



severance, and sick leave pay earned by an individual; or

(B) sales commissions earned by an individual . . . acting as an independent contractor in the sale of goods or services for the debtor in the ordinary course of the debtor's business if, and only if, during the 12 months preceding that date, at least 75 percent of the amount that the individual or corporation earned by acting as an independent contractor in the sale of goods or services was earned from the debtor.

11 U.S.C. § 507(a)(4). To the extent the Prepetition Wages and related payments for which the Debtor seeks authority to pay were earned within 180 days of the Petition Date, Employees' claims for payment of such compensation are entitled to priority pursuant to the above. The Debtor's request for authority to pay these claims now therefore merely constitutes a request to accelerate payment to avoid the devastation of employee morale and the operation of Debtor's business. Moreover, the maintenance of Employee morale and adequate staffing preserves the going concern value of the business which ultimately inures to the benefit of Debtor's creditors.

39. The Debtor's relationship with its Employees, including the terms and conditions of their employment, are matters subject to the Debtor's business judgment and may be managed by the Debtor in the ordinary course of its business. *See In re All Seasons Industries, Inc.*, 121 B.R. 822, 825–26 (Bankr. N.D. Ind. 1990); *In re Pacific Forest Industries, Inc.*, 95 B.R. 740, 743 (Bankr. C.D. Cal. 1989) ("Employees do not need court permission to be paid and are usually paid as a part of the ongoing operation of the business."). The maintenance of Debtor's benefit programs is an important part of the Debtor's relationship with its Employees that is within its business judgment, as is the Debtor's ability to continue honoring its Paid Time Off policies for the benefit of its Employees.

**C. Honoring of Checks and Transfers Related to Employee Obligations and Maintenance of Payroll Accounts.**

40. Finally, the Debtor requests that all applicable banks and other financial institutions be authorized and directed to receive, process, honor, and pay all checks presented for payment and to honor all transfer requests made by the Debtor related to Employee Obligations, whether such checks were presented or fund transfer requests were submitted prior to or after the Petition Date (including checks that have been presented and dishonored). The Debtor represents that these checks are drawn on an identifiable payroll account. Accordingly, checks other than those for

Employee Obligations will not be honored inadvertently. Moreover, pursuant to a budget that the Debtor filed with the Court as part of its motion to approve use of cash collateral, the Debtor expects to have sufficient funds to pay all Employee Obligations on an ongoing basis and in the ordinary course of business.

### III. CONCLUSION

**WHEREFORE**, the Debtor respectfully requests that the Court enter an order granting the Motion in its entirety and:

1. Authorizing, but not directing, Debtor to pay or honor in its discretion the Employee Obligations,
2. Authorizing and directing the applicable banks and other financial institutions to receive, process, honor, and pay all checks presented for payment and to honor all electronic payment requests made by the Debtor relating to the foregoing, and
3. Granting such other and further relief as the Court deems just and proper under the circumstances.

DATED: April 25, 2024

BG LAW LLP

By: /s/ David M. Poitras  
David M. Poitras  
Susan K. Seflin  
Jessica S. Wellington  
Proposed Attorneys for Chapter 11 Debtor  
and Debtor in Possession

# EXHIBIT 1

Company name	Employee ID	Department	Supports	Type	State	Payroll		Overtime Hours	Unreimbursed Expenses	Total ER		ER Payroll Tax	Total Insider
						April 16-24, 2024	Overtime Amounts			Reimbursed Tech	Total Earnings		
Mash Studios Inc	116	Production Design	Studios	Salaried	CA	1,706.67			0	50.00	1,756.67	119.47	1,876.14
Mash Studios Inc	A01L	Account Management	Studios	Salaried	CA	2,000.13			0	50.00	2,050.13	140.01	2,190.14
Mash Studios Inc	A01J	Concept Design	Studios	Salaried	CA	2,346.67			0	50.00	2,396.67	164.27	2,560.94
Mash Studios Inc	A010	Principal	Studios   Industries	Salaried	CA	3,747.05			0	-	3,747.05	262.29	4,009.35
Mash Studios Inc	42	Finance	Studios   Industries	Salaried	CA	1,774.93			0	50.00	1,824.93	124.25	1,949.18
Mash Studios Inc	39	LAXseries	Studios	Contract	CA	896.00			0	50.00	946.00	-	946.00
Mash Studios Inc	A00Z	Production Design	Studios	Salaried	CA	2,773.33			0	50.00	2,823.33	194.13	3,017.46
Mash Studios Inc	38	Finance	Studios   Industries	Hourly	CA	1,244.16	492.89	12.17	0	50.00	1,787.05	87.09	1,874.14
						16,488.94	492.89	12.17	0.00	350.00	17,331.83	1,091.51	18,423.34
											17,331.83		18,423.34
											<>		<>
401K Employer Contribution													380.86

# **EXHIBIT 2**

<u>Employee</u> <u>Number</u>	<u>Time Off</u> <u>Type</u>	<u>Accrued</u> <u>Hours</u>	<u>Accrued Hours</u> <u>Liability</u>	<u>Adj Hours</u>	<u>Used Hours</u>	<u>Hours</u> <u>Balance</u>
116	Sick	48.00	\$1,476.87	0.00	8.00	40.00
116	Vacation	18.67	\$574.34	11.32	16.00	13.99
A01L	Sick	48.00	\$1,730.81	0.00	0.00	48.00
A01L	Vacation	37.33	\$1,346.19	208.00	13.50	231.83
A01J	Sick	48.00	\$2,030.69	0.00	4.00	44.00
A01J	Vacation	28.00	\$1,184.57	23.09	8.00	43.09
42	Sick	48.00	\$1,535.94	0.00	0.00	48.00
42	Vacation	18.67	\$597.31	18.64	0.00	37.31
39	Sick	0.00	\$0.00	0.00	0.00	0.00
39	Vacation	0.00	\$0.00	0.00	0.00	0.00
A00Z	Sick	48.00	\$2,399.91	0.00	0.00	48.00
A00Z	Vacation	37.33	\$1,866.59	74.60	12.00	99.93
38	Sick	48.00	\$1,296.00	0.00	0.00	48.00
38	Vacation	18.67	\$504.00	21.33	0.00	40.00

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:  
**21650 Oxnard Street, Suite 500, Woodland Hills, CA 91367.**

A true and correct copy of the foregoing document entitled: **NOTICE OF EMERGENCY MOTION AND EMERGENCY MOTION OF DEBTOR FOR AN ORDER (1) AUTHORIZING, BUT NOT REQUIRING, DEBTOR TO PAY PREPETITION (A) WAGES, SALARIES, AND OTHER COMPENSATION, (B) EMPLOYEE MEDICAL, WORKERS' COMPENSATION, PAID TIME OFF, AND SIMILAR BENEFITS, AND (C) REIMBURSABLE EMPLOYEE EXPENSES; AND (2) AUTHORIZING AND DIRECTING APPLICABLE BANKS AND OTHER FINANCIAL INSTITUTIONS TO RECEIVE, PROCESS, HONOR, AND PAY CHECKS PRESENTED FOR PAYMENT AND TO HONOR FUND TRANSFER REQUESTS; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **April 25, 2024**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- **Michael J Hauser** michael.hauser@usdoj.gov
- **Susan K Seflin** sseflin@bg.law
- **United States Trustee (SA)** ustpreion16.sa.ecf@usdoj.gov
- **Jessica Wellington** jwellington@bg.law, ecf@bg.law

☐ Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:** On \_\_\_\_\_, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

**\*\*JUDGE'S COPY NOT REQUIRED IF LESS THAN 25 PAGES (GENERAL ORDER 23-01).**

☐ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **April 25, 2024**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

**SERVED VIA EMAIL BEFORE 12:00 PM ON THE ATTACHED SPREADSHEET.**

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

April 25, 2024

Mela Galvan

/s/ Mela Galvan

Date

Printed Name

Signature

Debtor Name	Creditor Name	Email Address
MASHindustries, Inc.	BSP VBP PROPCO LLC	jill.brown@cushwake.com
MASHindustries, Inc.	Next Level Installations LLC	marlene@americancabinetworks.com
MASHindustries, Inc.	GL Veneer Company, Inc.	roseg@glveneer.com
MASHindustries, Inc.	RRS Finishers Group, LLC	accounting@mashstudios.com
MASHindustries, Inc.	Tile Expo Inc	dh@tileexpoinc.com
MASHindustries, Inc.	Royal Plywood Company, Llc	invoicing@royalplywood.com
MASHindustries, Inc.	West Coast Laminating, Inc.	rtritz@ebbradley.com
MASHindustries, Inc.	National Marble & Architectural Stone, Inc	gpmarich@roadrunner.com
MASHindustries, Inc.	Forest Plywood - MI	kmendez@forestplywood.com
MASHindustries, Inc.	Frank Recruitment Group	accountsna@frankgroup.com
MASHindustries, Inc.	Ortiz Custom Upholstery, Inc	adilene@ortizupholstery.com
MASHindustries, Inc.	California Timberline Inc	greg@caltimberline.com
MASHindustries, Inc.	CPS/Garten Corporation	jenifer@cpsgarten.com
MASHindustries, Inc.	IDS Interior Detail Solution	kurtc@idsolut.com
MASH STUDIOS, Inc.	MASHVENTURES	mblemel@mashventures.net
MASH STUDIOS, Inc.	Great Openings	kasiala@metalworks1.com
MASH STUDIOS, Inc.	Fabcon, Inc.	accounting@fabcon.com
MASH STUDIOS, Inc.	Baresque USA LLC	cs@baresque.us
MASH STUDIOS, Inc.	Suddath Relocation Systems of Oregon LLC	jeannie.friedl@suddath.com
MASH STUDIOS, Inc.	Concentric Spaces	chris@concentricspaces.com
MASH STUDIOS, Inc.	Concentric Spaces	jrizzardi@cairncross.com
MASH STUDIOS, Inc.	GLC Millworks	julie@glcmillworks.com
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Both	Counsel for SBA	elan.levy@usdoj.gov
Both	US Trustee's Office	michael.hauser@usdoj.gov